

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2039 - SB 1985**

March 2, 2022

**SUMMARY OF BILL:** Creates the Certified Municipal Finance Officer Endowment Fund (Fund) for the Comptroller of the Treasury (COT) to provide stipends and reimbursement for certain expenses to municipalities for municipal financial officer candidates who have received certification and continuing education post-certification.

The Fund consists of appropriations by the General Assembly, grants, and federal funds permitted by federal law and regulation and contributions or grants from local governments and agencies. Requires the State Funding Board (SFB) to adopt an investment policy and a fund allocation policy designed to provide substantially consistent levels of disbursements from the Fund over twenty fiscal years and eliminate the entire Fund balance by July 1, 2043.

Terminates the Fund on July 1, 2043, at which point any monies in the Fund must not revert to the General Fund, but must remain available to be used by the COT exclusively for municipal finance officer certification and education.

**FISCAL IMPACT:**

**Increase State Expenditures – \$576,900/FY22-23**

**Exceeds \$574,400/FY23-24 and Subsequent Years**

**Increase Local Revenue – \$138,800/FY22-23 and Subsequent Years**

**Exceeds \$380,800/FY22-23 and Subsequent Years/Permissive**

Assumptions:

- The proposed legislation establishes the following, subject to available funding in the Fund, to be paid by the Comptroller of the Treasury (COT) to a municipality for persons receiving CMFO certification:
  - A one-time stipend of \$1,000; and
  - A reimbursement for course enrollment and travel expenses not to exceed \$1,300.
- The COT provided the following information concerning the Certified Municipal Finance Officer (CMFO) program:
  - Over the last five years, there has been an average of 60 candidates who obtain their CMFO designation annually.
  - One CMFO course is administered in each Grand Division.
  - As of December 31, 2021, there are 845 active CMFOs in the state.

**HB 2039 - SB 1985**

- The CMFO program consists of 10 courses at \$110 per course for a total of \$1,100; the proposed legislation would reimburse municipalities the full amount of course tuition along with up to \$200 in travel costs totaling a \$1,300 reimbursement (\$1,100 tuition + \$200 travel).
- Providing a stipend and reimbursement for persons receiving CMFO certification will result in a recurring increase in state expenditures and an equal, corresponding mandatory increase in local government revenue of \$138,000 [(\$1,000 stipend + \$1,300 reimbursement) x 60 persons], beginning in FY22-23.
- The proposed legislation authorizes the COT to pay the following to a municipality:
  - A reimbursement amount not to exceed \$400 for costs or fees incurred when paying for continuing professional education (CPE) for each CMFO employed by or contracted with the municipality.
  - A one-time stipend of \$1,000 for each CMFO who completes the annual CPE requirements and remains a full-time employee of the municipality 60 full months after CMFO certification.
- Pursuant to Tenn. Code Ann. § 6-56-404(a), CMFOs are required to complete 16 hours of CPE each year.
- In calendar year 2021, the COT began providing 16 hours of free CPE.
- This analysis assumes:
  - Most municipalities pay all of their CMFOs' CPE fees and, therefore, will encourage CMFOs to take advantage of the free hours provided by the COT.
  - CMFOs will participate in the free CPE for 75 percent of the 16 hours required, or 12 hours (16 hours x 75%);
  - Municipalities will have to pay for the remaining four hours (16 required – 12 free);
  - CPE costs vary, but for the four hours of training, such costs are estimated to exceed \$64 annually, per CMFO; and
  - While rates of reimbursement for travel and meals provided to CMFOs will vary, they are estimated to be an average of \$150 per day, with approximately one day of CPE per CMFO.
  - Municipalities currently paying for four hours of CMFO CPE experience an expenditure exceeding \$214 (\$64 + \$150), per CMFO.
- Reimbursement of CPE fees and costs to municipalities is estimated to result in a recurring increase in state expenditures exceeding \$180,830 (\$214 x 845 CMFOs) and a corresponding recurring, permissive increase in local revenue of \$180,830, beginning in FY22-23.
- In March 2021, there were 644 active CMFOs statewide. As of December 31, 2021, the number of active CMFOs had increased approximately 30 percent to 845. Assuming this trend continues, there will be more than 1,000 active CMFOs statewide as of December 31, 2022.
- Per this legislation, a CMFO must have five years of service to qualify for the \$1,000 stipend; if the 1,000 active CMFOs are distributed over five years, then approximately 200 stipends will be paid per year resulting in a recurring increase in state expenditures exceeding \$200,000 (\$1,000 stipend x 200 CMFOs) and an equal recurring, permissive increase in local revenue.

- Providing such stipends and reimbursements will result in a recurring increase in state expenditures exceeding \$518,830 (\$138,000 CMFO certification + \$180,830 CPE reimbursement + \$200,000 stipend for 5 years' service), beginning in FY22-23.
- There will be a permissive increase to local revenue exceeding \$380,830 (\$180,830 CPE reimbursement + \$200,000 stipend for 5 years' service) in FY22-23 and subsequent years.
- The COT will require one additional Customer Care Specialist position beginning in FY22-23.
- There will be a recurring increase in state expenditures of \$55,570 [(\$40,000 salary + \$13,570 benefits + \$2,000 travel and training) x 1 Customer Care Specialist position] in FY22-23 and subsequent years. There will be a one-time increase in state expenditures in FY22-23 of \$2,500 for equipment, resulting in a total increase in state expenditures of \$58,070 (\$55,570 + \$2,500) in FY22-23.
- The COT's Division of State Government Finance serves as staff to the SFB and will be able to handle an increase in SFB agenda items using existing staff and resources resulting in a not significant impact to state government.
- There will be a total increase in state expenditures of \$576,900 (\$138,000 CMFO certification + \$180,830 CPE reimbursement + \$200,000 stipend for 5 years' service + \$58,070 Customer Care Specialist) in FY22-23.
- There will be a recurring increase to state expenditures exceeding \$574,400 (\$138,000 CMFO certification + \$180,830 CPE reimbursement + \$200,000 stipend for 5 years' service + \$55,570 Customer Care Specialist) in FY23-24 and subsequent years.
- There will be a mandatory increase in local government revenue of \$138,000, beginning in FY22-23.
- There will be a permissive increase to local revenue exceeding \$380,830 in FY22-23 and subsequent years.
- The Governor's proposed budget for FY22-23, on page B-16, includes a one-time appropriation of \$1,500,000 for the Certified Municipal Financial Officer programs.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/mp